



## LEGISLATIVE UPDATE

August 7, 2015

Movement on the state budget is finally picking up some momentum. As the August 14 (11:59 p.m.) expiration of the first stopgap spending measure ([SB 534](#) 2015 Continuing Budget Authority) for the current fiscal year approaches, leadership from both the House and Senate are exhibiting gradations of optimism that North Carolina could have a compromise budget voted on in the next couple of weeks. The most significant development thus far came on Wednesday as Senate leadership announced that tax changes and Medicaid reform would be removed from the budget negotiations as these two issues continue to be chief impediments to further progress. Many other policy and budgetary issues in the various proposals must still be resolved, but this is seen as a step of progress. The announcement came with a request that the House agree to cap the budget at \$21.65 billion, which would cut \$500 million from its proposal.

In case there is any doubt, now is the time for school leaders and educators across the state to express the need for a final budget, and what that budget needs to include. Superintendents and other education advocates have been contacting their legislators to explain the hardships of starting the school year without known funding. As the new school year is rapidly approaching, please take the time to contact your legislators and inform them of situations that you are experiencing at the local level. Find your legislators' contact information [here](#). Also, for details on differences between the two chambers' spending plans, please see the Fiscal Staff's charts regarding [salary and benefits](#), [education funding](#), and specific [K-12 items](#) in controversy.

On Monday, the House introduced a substantial bond and spending package totaling nearly \$2.9 billion. The House Finance Committee approved the measure on Tuesday and it passed the House on Thursday; the bill will now go to the Senate. The bond referendum in [HB 943](#), "Connect NC Bond Act of 2015," would go before the voters of North Carolina on the March 15, 2016, Presidential Primary ballot for approval or rejection. The main education components of this package are as follows:

1. \$500 million for K-12 school construction and/or renovations (\$150 million to be distributed based on average daily membership, and the remaining to use several matching programs based on location and district enrollment).
2. \$890 million for 18 UNC System construction projects.
3. \$300 million for Community College construction, repairs, and renovations based on a 1:1 county to state match.
4. \$400 million for road construction projects throughout the state.
5. \$200 million for repairs and renovations to state buildings.

### **Relevant Bills on the Floor This Week:**

#### **HB 334** Transfer Office of Charter Schools

On Tuesday, the House voted to not concur with Senate changes to HB 334. A [conference committee](#) has been appointed to resolve the differences. As previously reported, this bill was totally transformed in the Senate to transfer administrative functions of the state Charter School Advisory Board (CSAB) from DPI to SBE. It would also make changes to the membership of CSAB. Additionally, the Office of Charter Schools (OCS) currently located within DPI would be dissolved and re-established in statute (under G.S. 115C-218) directly under SBE. It would also statutorily define the functions of OCS and add increased application process requirements for CSAB.

#### **HB 394** Increase Options for Local Option Sales Tax

On Thursday, the House gave tentative approval to an amended version of HB 394. As amended, this bill would now authorize Franklin, Nash, and Rutherford Counties, in addition to Robeson County, to have a referendum allowing the local sales tax, in addition to property taxes, to be utilized for school construction rather than transportation initiatives. The bill previously only applied to Robeson County.

#### **HB 561** School System Authorization Regarding Legal Proceedings

On Monday, the House voted to not concur with the Senates changes to HB 561. A [conference committee](#) has been appointed to resolve the differences. As previously reported, this bill was amended in the Senate to forbid local boards of education from filing legal actions against boards of county commissioners to challenge the sufficiency of funding for the next five years through 2019-20. Among other things, it would also allow local boards to issue subpoenas for the production of tangible things (e.g., sound recordings and electronic communications, etc.) only after a chief district court judge or designee has granted approval for a subpoena based on certain specified criteria under G.S. 115C-45(a).

#### **HB 584** Use of Position/Letters of Reference

On Tuesday, the House concurred with Senate changes to HB 584; it will now go to the Governor's desk. As amended in the Senate, the bill adds to current law (G.S. 138A-31(b)) to expressly permit "covered persons" (such as, policymakers, legislators, and government executives) to mention his/her public position in a letter of character reference for individuals who are: (1) seeking admittance to an educational institution, (2) seeking an academic scholarship, (3) seeking leniency in sentencing from the courts, or in other matters related to probation/parole, or (4) seeking employment.

#### **HB 792** Privacy/Protection from Revenge Postings

On Wednesday, the Senate further amended and passed HB 792. It will now go to the House for consideration of Senate changes. As amended, the bill would make indecent exposure on private premises a criminal offense. Most notably, it would establish as a criminal offense the distribution or publishing of sexually explicit material (photograph, text, film, videotape, recording, etc.) of another person without consent to do so, as follows:

1. Age 18 or older at the time of the offense, Class H felony.
2. First offense under age 18 at the time of the offense, Class 1 misdemeanor.
3. Second or subsequent offense under age 18 at the time of the offense, Class H felony.

**Relevant Bills in Committee This Week:****[HB 482](#)** Employee Misclassification Reform

This is a significant employment law bill, and has been addressed in past Updates. On Tuesday, the House Judiciary II Committee passed an amended bill. On Wednesday, the House Appropriations Committee passed it (despite many "no" votes). The bill is now placed on the House calendar for Monday night. It is to be entitled the "Employee Fair Classification Act" and it adds a new Article under Chapter 143 of the state statutes. The purpose of the bill is to codify in state statute: 1) the requirements for properly classifying a worker as an employee versus an independent contractor; and 2) the new state penalties for misclassifying a worker as an independent contractor to avoid workers compensation insurance, tax laws, and other legal requirements. This bill would establish a new "Employee Classification Division" within the Department of Revenue that would receive and investigate reports of misclassification, assess civil penalties, among other new duties. One of the bill sponsors estimated a \$191 million annual savings to the state with the passage of this legislation; however, the Department of Revenue would not verify that estimate during the committee meeting.

**[SB 607](#)** Taxpayer Bill of Rights (TABOR)

The Senate Finance Committee approved this bill on Thursday. This legislation would put to the voters proposed amendments to the state constitution to set the maximum tax rate on incomes at five percent, among other things. It would also require that an emergency reserve fund is available in case of revenue shortfalls and it limits growth on state spending. The State Treasurer has expressed concerns that this bill would endanger NC's AAA bond rating due to potential limits on the state's financial and budgetary flexibility.

**[SB 698](#)** Prohibit Closure of Laurel Elementary (Proposed Committee Substitute)

On Thursday, the House Committee on Rules, Calendar, and Operations heard draft legislation that would prohibit the Madison County Board of Education from closing Laurel Elementary School. The proposed bill was withdrawn from committee (and not available online), but will likely be heard again. The bill would require the Board to continue operating Laurel Elementary through the 2016-17 school year or convert it to a charter school, whichever occurs first. The bill sponsor indicated that the recent closure of this school will force around 50 students to travel upwards of 1.5 hours to attend the nearest elementary school. No school board member or representative was present to comment.

**Other Bills with Action This Week:****[HB 556](#)** Achieving a Better Life Experience Act

- House concurred with Senate changes
- Presented to the Governor

**[SB 37](#)** Waive Tuition/Fallen Officer was Guardian

- Approved by House Committee on Education – Universities
- Placed on House calendar for Monday, August 10

**Meetings Next Week (August 10-14):**  
TBA

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